Part 3, Remarks:

Reexamination and reconsideration of this case is respectfully requested in view of the Amendments to the claims in Section 2 above and these Remarks.

Claims 1 – 126 are in this case. Claims 1 – 46 and 126 are being examined, claims 47 – 125 having been withdrawn as a result of the Restriction Requirement. No claims have been canceled.

Response to the §112 Rejection; Claim Amendments; No new matter introduced:

The Office Action rejection of the abbreviation "iTAV/NAV" has been addressed and re-solved by use of the full term "investor Total Account Value and Net Asset Value" in main claim 1, and other claims wherein that abbreviation appeared. Support and full definition is found at page 6, lines 15 – 22. The rejection under §112 is now moot and should be withdrawn.

The main claim 1 has been amended in view of the art cited to more clearly point out and distinguish the inventive method from the references. In this regard, it is more clearly pointed out that the inventive Best Investor method as claimed reults in selecting the best investors from among the universe of investors participating in the program via ranking their trading perform-ance of their personal portfolios. The personal portfilios are set up, Step a), the investor Total Account Value and Net Asset Values are assigned, Step b) and tracked as trades are made by the participating member investors, Steps c) and d). The trusted 3rd party then ranks the invstors as a metric to identify the best investors, Step e). This ranking has high credibility, being based on performance. In new Step f), the claimed method calls for selecting at least one of the individual best investors as a fund manager to select financial instruments to offer to others as customers seeking investment opportunities.

Support is found throughout the Application as filed. In particular the various phases of the Marketocracy program described in the application is set forth on pages 5, line 14 through page 6, line 34. The individual investor participants, as members of the system and site are identified at page 5, line 16, and the ultimate fund customers at the bottom of page 6 and page 21, line 8. The operation of actual portfolios is set out at page 5, lines 22 – 23, and the Phase III fund operation base on identified Best Investors as fund managers is set forth on page 5, lines 23 – 25. The credibility ranking is on page 6, lines 13 – 17, and the on-line trading is at page 6, lines 17 – 21. The opportunity for the ultimate customers to invest in funds created by the Best Investors and to purchase other services is set forth on page 6, lines 25 – 27.

These are just a few of the citations for support for the amendatory language; the amendments are supported throughout the Specification, and the language added in the instant amendments is entirely consistent with the gist of the invention described therein and shown in the Drawings and the claims as originally filed. No new matter has been added.

Response to the four §103 rejections:

The claims being examined have been rejected as obvious variations of 5 different references in 4 different ways within the meaning of 35 US Code §103. The rejections are unsound and should be withdrawn.

Gardner et al is NOT a reference; Rejections based on it fall and should be withdrawn:

The **Gardner** reference US 2002/0042764 A1 is not a reference, as its earliest date of filing is July 10, 2000, which is well after the filing on April 17, 2000 of the priority document of this Application, Provisional Application SN 60/197569. A comparison of the text and drawings of the priority Provisional with this Application indicates the Provisional, as filed April 17, 2000 supports the claimed method. For example the text on pages 5 and 6 of the instant application is supported fully in the text of the priority Provisional, and the drawings are substantively identical, the difference being that the drawings of this Application are formals of the drawings in the priority Provisional.

Even if the Office could show that the Gardner published application 2002/0042764 is supported by the Gardner Provisional 60/217443, its date is after the filing of the instant priority application 60/197569 on April 17, 2000.

Accordingly, the rejections that include Gardner as a reference fall and should be withdrawn. (Rejections on pages 3 – 17 of the Detailed Action.) Applicants do not admit, either expressly or by implication, that the teachings of Gardner, taken alone or in combination with Barr, Sharpe, Gatt and Jennings, render the claimed method obvious.

Indeed, **Gardner teaches away from the instant invention** of building an investment product, or fund, by credibly indentifying Best Investors who then select financial instruments for the product to offer to customers. Gardner merely deals with aggregating the several portfolios of an individual investor that are held in different financial institutions in order for an advisor to give feedback and guidance to the investor/customer of the advisor. Gardner DOES NOT teach creating portfolios for participating investors, trading, ranking, and selecting the best of them tgo be able to create products for others, customers, to invest in. Gardner does not evaluate the investors as a source of information, that is, as a source of finding the Best Investors

and let them build an investment product. Rather, the Gardner aggregation process merely lets the analyst know the full spectrum of investments of an individual customer. Gardner aggregates an individual customer's scattered investments in Schwab, Fidelity, Merril Lynch, Deutsche Bank, stocks on the Nikkei, etc so the analyst has the 5000-foot overview which he/she needs to know the client's total picture. That may be a tool for asset allocation, but is not a system for identifying the Best Investors and building new investment products around their expertise.

To the extent Gardner suggests using a model portfolio as one part of the aggregation of disparate investments process, it is not a reference. Nor is his model portfolio the same as Applicants, and is not used for the same purpose in the same way. Gardner, taken alone or with the other references does not render the claimed invention obvious.

The remaining references of Barr, Sharpe, Gatto and Jennings do not teach the invention:

In Applicants' view, the Office Action appears to misunderstand the use of the term "investor" in the claims. The Office Action assumes that "investors" are the people who put money into financial products, such as existing mutual funds, stocks, bonds, etc. In contrast, the "investors" in the claims method are the people whose performances are being measured so as to create financial products, such as a new fund, that other people, which are identified in the claims as "customers" can invest in as a financial opportunity.

In **Barr**, the source of the data to be analyzed comes from a neural network. In the claimed method, the invformation comes from the performance of individual participating investors. The claimed system involves significant interaction over the Internet with these Best Investors to acquire the data to be analyzed, converted to the iTAV/NAV, followed by ranking, selecting and creating the new investment products. There is no such interaction in Barr, nor does he suggest it. Clearly Barr did not invent neural networks; rather Barr is devoted to a particular use, an application specific use, of a neural network to harvest information **without** interaction with the investors. That is a teaching away from the claimed method.

Contrary to the Office Action, **Sharpe** does not teach the concept of a **personal** iTAV/NAV. The Examiner is requested to not overlook the term "personal" in step b of main claim 1. Rather, Sharpe describes a method of attributing a fund's performance to either Stock Selection or Style by defining a "style" benchmark. He clearly states that the style benchmark return is NOT due to the stock selection skills of the manager. Rather, only the difference between the fund's return and the style benchmark is attributable to the stock selection skill of the manager. As understood, the Sharpe style benchmark is akin to an asset allocation, so stock

selection skill of the manager really says, not that he is the Best Investor, but that he may have beat (or underperformed) the allocation goal. The teaching of Sharp does not direct one of ordinary skill in this art toward the Best Investor identification, selection and building of new investment products. No new investment product is build by Sharpe's benchmark style denomination.

In this regard, note Sharpe on page 25 states clearly:

> "A passive manager provides an investor with an investment style, while an active manager provides both style and selection"

That is, the passive Sharpe manager says to the investor, you should be in Small Cap Funds; the active Sharpe manager says to the investor, you should be in Small Cap Funds, and DFT Small Cap is a fund I recommend. The Office needs to demonstrate with credible evidence how that teaches selecting Best Investors and creating new investment products by the claimed method. It cant, because it does not.

Sharpe goes on to explain how to calculate the style benchmark – a weighted average of the benchmark returns of each asset class, where the weight is the exposure of the fund in the asset class. Thus, a fund having a small amount in asset class A that does well does not mislead one beyond the percentage of its contribution to the overall performance of the fund. That still has nothing to suggest about picking Best Investors or personal investor Total Account Value as claimed and defined in the Applicants' specification.

All that page 25 of Sharpe teaches is that individual investors (our customers) cam apply that reasoning (weighting system) to assess his own decisions. This is very different that an iTAV, which is personal to the Best Investors, not to weight averaging funds.

Sharpe's analysis of a fund's return does not address the issue of how to attribute such a return to the individual managers (our Best Investors who have created a new investment product) rather than to the fund.

Gatto does not cure the defects in any one of Barr, Gardner, Sharpe or Jennings. Gatto merely checks the qualitative aspect of an analyst's opinions. That is, the analyst claims that a particular stock is "Strong Buy". Gatto then purports to use historic performance of that stock over time to determine if the analyst was OK in labeling it Strong Buy or not. This is not a credibility based approach, it merely measures the herd mentality of analysts. Recently, how many were saying Buy into Countrywide or other subprime lenders when objective analysis of the performance of the stock would say otherwise. It does not teach ranking them. Indeed, the

analysts in Gatto do not trade, they merely "analyze and opine" on stock, asset categories, funds, the weather, whatever. To base a ranking on a non-quantitative set of opinions, e.g., Strong Buy, Buy, Hold, Sell, would not give you any handle on identifying Best Investors, much less suggest what to do after that.

Jennings is equally non-productive and misleading. The readers rate the links posted by some point system accorded, in the readers' opinion on what they read (or, possibly, what they understood; but which is not known or explained in Jennings). We are familiar with this qualitative approach. You read an article on MSN and then rate it as to how "important" or "relevant" or "informative" to you. Thus someone might rate another story about Paris Hilton as really "Like Wow, Significant to me, as I am into celebrity stupidity, so I will rate it 5". Nice, but what's the PTO's point? There is no metric against the market. There is no Best Investor ranking, selection, creation of new investment products.

It is significant to note that neither of Gatto and Jennings are directed to or used in any rejection of main claim 1. Since the rejection of main claim 1 depends on Gardner, the last 3 rejections appearing on pages 9 – 18 of the Detailed Action also fall.

What the Office Action does in all rejections is to use the Applicants' Specification as a parts list to pick isolated elements out of the references, then use Applicants' claims as a blue print for reassembling those isolated and inconsistent teachings into a rejection. That is improper as Applicants' Specification and claims are not prior art.

The fundamental principle, as articulated by the Court of Appeals for the Federal Circuit in **In re Gordon,** 221 USPQ 1125 (Fed. Cir. 1984), is that the prior art <u>must</u> suggest the combination of references. In **Gordon,** the Court rejected the idea that the prior art devices <u>could be</u> modified to produce the claimed device as a proper basis for an obviousness rejection, holding <u>the combination is not proper unless the prior art suggests the desirability of such a modification</u>. In **SmithKline Diagnostics, Inc. v. Helena Laboratories Corp.**, 8 USPQ2d 1468 (Fed. Cir. 1988), the Court held that to pick and chose elements from references to recreate the invention is <u>not</u> proper. And in **Northern Telecom, Inc. v. Datapoint Corp.**, 15 USPQ2d 1531 (Fed. Cir. 1990), **cert. denied,** 498 U.S. 920 (1990), the Court held that "[i]t is insufficient that the prior art disclosed the components of the patented device, either separately or used in other combinations; <u>there must be some teaching</u>, suggestion, or incentive <u>to make the combination</u> made by the inventor." (Emphasis added).

These governing principles were applied by the Court in holding in error the obviousness rejections in **In re Bond**, 15 USPQ2d 1566 (Fed. Cir. 1990) and **In re Mills**, 16 USPQ2d 1430 (Fed. Cir. 1990). **In re Mills** specifically held that although the prior art device could be modified to run the way the applicant's device was claimed to run, "there must be a suggestion or motivation in the reference to do so." 16 USPQ2d 1430. Since there was none, the rejection was in error and was reversed. More recently, in **Sensonics, Inc. v. Aerosonic Corp.**, 38 USPQ2d 1551 (Fed. Cir. 1996), the Court reiterated this principle, holding there was no teaching or suggestion in the prior art that would have led a person skilled in the art to select the specific mechanical and electrical structures and concepts and combine them in the manner of the invention of that case.

As a further principle, both the Courts and the Board of Appeal have long held that the suggestion for the combination in the references cannot come from the Applicant's Specification, see, for example, **Ex parte Brack**, 134 USPQ 445 (POBA 1961). The reason is simple: Applicant's Specification is not prior art. **Applicant's specification cannot be used as a parts-list to search for disparate parts in the art, and then used as a blueprint to assemble the selected parts.** The sources for the motive to select the parts and to reassemble them to obtain the desired result must come from the references.

The problem in the Office Action Detailed Action section, repeated after every rejection is the hindsight concluseion that it would be obvious to one of ordinary skill in this art because the motivation to modify the reference exists, essentially because the step of Applicants method being discussed produces a better result. (That approach is repeated on each page, so individual citations would merely unduly burden the record; this analysis of the defect in the reasoning of the Office Action applies to each an every one of the rejective comments.)

The problem with that thinking is that the art does not suggest to modify the references in any particular way, much less the way Applicants are alleged to have done (they did not modify the cited art; the invention was independent), to produce any improved result, much less Applicants' result. That is, the references can not say how to improve Applicants' result because they do not even conceive the result. Indeed, they are very clear in saying ONLY, "Do it my way", not any other way. The cited references do not teach OSIA what is predictable. An improved result is not prima facie evidence of predictability. The approach of the Office in the instant rejections is not in accord with the Supreme Court's decision in ***KSR Int'l v Teleflex, Inc.***

Under the Office Action approach, apparently we are to conclude that achieving a poor result would be non-obvious, as a poor result would not be self-suggestive. Thus, we see that the Office does not understand the Courts when they talk about motivation. The motivation is not the end result, it is what drives OSIA to select a particular isolated teaching out of the prior art ABSENT A VIEW OF THE APPLICANT'S SPECIFICATION, modify it in A UNIQUE AND PARTICULAR WAY, and combine it in A UNIQUE AND PARTICULAR WAY with specific teachings of other references to arrive at the claimed invention. That is not what the Office Action does. The Examiner merely repeats by rote that modifying the reference ***"allows for"*** an improved result. The Examiner would not know that, but for the invention and the text of the Application, which of course is not the blueprint for creating a rejection.

Indeed, by ***reducto ad absurdum***, everything deemed and advance in the art is therefor obvious. That is not the law; indeed, that cant be the law as that puts the PTO out of business and vitiates Article 1, Clause 8 of the US Constitution. We think the point is made; the rejections are unsound and should be withdrawn. None of the cited references, taken alone or in combination truly teach or suggest the inventive method, and they clearly don't provide the required motive to combine them. Indeed, there is over 200 pages of terse, dense, largely unreadable patentese in the references directed to entirely different systems. Worst still, even if combined, the gaggle of references do not result in identifying Best Investors, selecting them to create new investment products.

Finally, the Examiner is respectfully requested to follow the mandate of the Commissioner set forth in the MPEP 2106 Examination Guidelines, which state:

> ***"Office personnel should indicate how rejections may be overcome and how problems may be resolved. A failure to follow this approach can lead to unnecessary delays in the prosecution of the application."***

Further, the Examination Guidelines repeatedly point out that:

> ***". . . every limitation in the claim must be considered. Office personnel may not dissect a claimed invention into discrete elements and then evaluate the elements in isolation. Instead, the claim as a whole must be considered. See, e.g., Diamond v Diehr, 450 US at 188 – 89, 209 USPQ at 9 (quoting from the case).***

Thus, Applicants here would be delighted to open a line of discussion with the Examiner to craft claims that, to the extent needed, more clearly define over the references cited.

CONCLUSION

Applicant respectfully requests withdrawal of the rejections and allowance of Claims 1 – 46 and 126 as clearly patentable over the art of record.

Sincerely,

Kendrick W. Kam, et al.

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End of Part 3, Remarks

End of Response to Office Action of July 5, 2007